

Dear Shareholder,

In December, the equity markets posted their fourth consecutive month in uptrend (S&P 500 NR +3.0%, MSCI Europe NR +2.1%). The year 2019 was one of the best years for equities in more than 20 years (S&P 500 NR +30.7%, MSCI Europe NR +26.0%).

This increase is mainly due to the monetary policy reversal by the main central banks. It is important to remember that only a year ago, the Fed raised its key rates by 25 bps. Since then, the three successive cuts in US key rates have had a considerable impact on the level and shape of the sovereign yield curves. This fall in yields has since extended to all financial assets, including equities. As a result, the P/E of the equity asset class rose, as did the level of the indices.

While the P/E of the European indices was 13x a year ago, it is now above 15x. Such a level corresponds to an equity risk premium of 675 bps (vs. 800 bps a year ago), well above the historical average of 480 bps. Thus, the upside potential of the equity class could be a bullish driver again in 2020, and it would not be surprising if the early 2015 P/E level is once again reached (16.5x). In addition, corporate earnings growth (+9.6% expected in the US in 2020, +7.7% in Europe) could also make a positive contribution to the 2020 performance of the major equity indices.

To do so, the renewed geopolitical visibility of the last quarter will need to be confirmed and the recovery in economic momentum observed over the last two months will have to be maintained.

Digital funds ended December with a sharp increase, outperforming once again the large-cap indices, and ending an exceptional year in 2019, with returns in excess of 30%. While all sectors rose, cyclical stocks (Consumer Discretionary, Industrials and Energy) were the best contributors over the month. Our UK domestic stocks, mainly small and mid caps, also benefited from the clear victory of the UK Conservatives. Sweden, Digital Stars Europe's second-largest weight, posted +5.8% in the fund. **Digital Stars Europe Acc's** monthly performance was +2.9%, compared to +2.1% for MSCI Europe NR. **Digital Stars Europe Ex-UK Acc** finished December at +2.3% compared to +1.6% for MSCI Europe ex UK NR. **Digital Stars Eurozone** achieved +0.4% compared to +1.1% for the MSCI EMU NR.

The rebalancing carried out during the month continues to accompany the change in trend observed since September. Stocks with predictable cash flows ("proxy bonds") in the Utilities, Healthcare, Cosmetics and Food sectors are leaving the portfolio, once again replaced by more cyclical stocks with lower valuations. The model thus selected Industrials, Air transport and Technology stocks. The price momentum screening of Digital Stars Europe mainly included British stocks, particularly in the construction sector. We are globally overweight in technology, consumer discretionary and industrials; and underweight in financials (mainly banks), energy and food. The funds retain their growth profile, despite the diversification of the latest rebalancings. The weight of British stocks in Digital Stars Europe is 25.4%, close to that of the benchmark. Sweden is the second highest weighting with 16.1%. Digital Stars Europe's ex-ante tracking-error is 6.09% against the MSCI Europe. The ex-ante beta is 0.94.

Digital Stars Europe Smaller Companies Acc ended December with a clear increase of +3.3%, compared with +4.2% for the MSCI Europe Small Cap NR. The fund ended the year up +29.7%. The strong contribution of UK stocks was limited by their underweight, unlike Italian stocks, whose negative contribution was reinforced by the overweight in the country. The strong performance of technology, industry and utilities stocks was not enough to compensate for the relative lag, due in particular to our healthcare and financial stocks.

The latest portfolio review was in favour of the smallest capitalisations. The share of real estate and healthcare was reduced, while that of consumer discretionary was increased, as well as that of materials and financials. The weight of British and German stocks has been increased, in contrast to the weight of Swiss and Swedish stocks. The portfolio is overweight in technology, healthcare and consumer discretionary, and remains underweight in industrials, financials and consumer staples. The United Kingdom is still underweight, but remains the portfolio's largest geographical weighting, ahead of Sweden and Germany.

Digital Stars US Equities Acc USD ended December up +0.5%, compared to +3.0% for the S&P 500 NR and +2.8% for the Russell 2000 NR. The fund posted a 2019 return of +28.9%. The IT sector contributed the most to the fund's performance. However, within IT, good contributions from semiconductors have struggled to compensate for the poor performance of equipment and software.

During the last portfolio review, the model strengthened financial stocks and reduced the weight of healthcare. The portfolio remains overweight in consumer discretionary and industrials and underweight in communication services.

2019 was a milestone year for us in terms of responsible investment: Chahine Capital became a signatory of the UNPRI in October 2019 and, following the implementation of an ESG approach for all our funds, LuxFLAG awarded us the LuxFLAG ESG label for our funds Digital Stars Europe, Digital Stars Europe Ex-UK, Digital Stars Europe Smaller Companies and Digital Stars US Equities.

We wish you an excellent year 2020.

31/12/2019	YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Since Inception	Inception Date
Digital Stars Europe	31.4%	-19.5%	23.7%	0.7%	24.7%	3.5%	36.0%	22.7%	-16.0%	32.6%	37.0%	-48.3%	1.8%	36.6%	41.5%	544.5%	13/11/1998
MSCI Europe NR	26.0%	-10.6%	10.2%	2.6%	8.2%	6.8%	19.8%	17.3%	-8.1%	11.1%	31.6%	-43.6%	2.7%	19.6%	26.1%	168.2%	Monthly Factsheet
MSCI Europe Small Cap NR	31.4%	-15.9%	19.0%	0.9%	23.5%	6.5%	33.4%	27.0%	-17.5%	29.9%	59.5%	-51.9%	-7.5%	29.9%	37.0%	529.0%	Monthly Factsheet
Digital Stars Europe Ex-UK	30.1%	-17.2%	25.0%	5.0%	24.7%	3.6%	37.1%	22.4%	-21.4%	32.3%	36.1%	-42.2%	9.7%	n.s.	--	223.3%	30/06/2006
MSCI Europe ex UK NR	27.1%	-10.9%	11.4%	2.4%	10.7%	6.4%	22.1%	19.4%	-12.4%	8.6%	28.4%	-42.7%	5.2%	n.s.	--	89.0%	Monthly Factsheet
MSCI Europe ex UK Small Cap NR	28.5%	-15.8%	20.3%	5.5%	25.0%	5.9%	33.5%	22.8%	-21.9%	26.6%	55.9%	-50.8%	-2.0%	n.s.	--	159.3%	Monthly Factsheet
Digital Stars Eurozone	30.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	--	5.5%	01/10/2018
MSCI EMU NR	25.5%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	--	9.1%	Monthly Factsheet
MSCI EMU Small Cap NR	28.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	--	7.0%	Monthly Factsheet
Digital Stars Europe Smaller Companies	29.7%	-21.2%	32.6%	n.s.	--	--	--	--	--	--	--	--	--	--	--	36.9%	16/12/2016
MSCI Europe Small Cap NR	31.4%	-15.9%	19.0%	n.s.	--	--	--	--	--	--	--	--	--	--	--	33.5%	Monthly Factsheet
Digital Stars US Equities	28.9%	-13.2%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	15.8%	16/10/2017
S&P 500 NR	30.7%	-4.9%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	30.2%	Monthly Factsheet
Russell 2000 NR	25.0%	-11.4%	n.s.	--	--	--	--	--	--	--	--	--	--	--	--	13.5%	Monthly Factsheet

Our readers can access the monthly report for each sub fund, by clicking on the link “Monthly Factsheet” above.

Your sales and marketing contact and the portfolio management team can be contacted, should you require more information about Digital Funds or our stock market Outlook.

If you would like to unsubscribe from this monthly report, please email info@chahinecapital.com

Best Regards,

The Asset Management Team